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16 July 1976

MEMORANDUM FOR: Energy Research and Development
Administration

SUBJECT : Portuguese Internal Stability

1. The idealistic young military officers who overthrew the Caetano regime in April 1974 wanted a change from the rightwing dictatorship that had prevailed for 50 years, but their political naivete and confusion over what to replace it with has kept the country in a state of turmoil for more than two years. With the inauguration of a freely elected president, General Antonio Ramalho Eanes, on July 14, the advocates of a democratic government have won a victory over those who had hoped to install a Marxist state. The struggle in Portugal is far from over, however, and the success of the new government will depend on how well it is able to cope with the economic and social problems that have built up over the past two years.

2. The new government will differ from others since the revolution in that civilians will have the leading voice in political policy matters. The military will continue to play an advisory role, however, and will be prepared to take a more direct role if leftist agitation or party disagreements threaten to undermine the fragile democratic structure. Socialist leader Mario Soares, who will be the new prime minister, plans to form a minority government based on his party's control of 40 percent of the seats in the legislature. He apparently has the agreement of two parties to his right to back him on an issue-by-issue basis. If he is forced to design legislation to fit a more conservative mold, however, Soares could face even greater problems with the leftwing of his own party.

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3. The Communists are still reeling from their poor showing in the presidential election last month but will be watching for a chance to attempt a comeback. Party leaders are bitter that they will be left out of the new government and have been very cool toward President Eanes. They will work against the Socialists in the legislature, and may attempt to use their substantial strength in labor to create civil disturbances.

4. The far left, on the other hand, has been buoyed by leftist Otelo de Carvalho's second place finish in the presidential vote. The former security chief's admirers are a diversified lot, combining far leftwing sympathizers with dissatisfied Communists and Socialists. Even Carvalho has little chance of charming these disparate elements into a cohesive political force. Leftwing extremists are therefore likely to turn away from legitimate political activity and, with the help of Latin American extremists still thought to be in Portugal, may adopt terrorist tactics. Terrorism has been used only sparingly by the left since the overthrow of the Caetano regime, however.

5. Most of the bombings in recent months, in fact, have been against leftist or Communist targets and appear to be the work of rightwing groups. Many rightwing exiles have returned to Portugal from Spain and some with ties to senior members of the military are being reintegrated into the armed forces. Plotting against the government has diminished,

6. The 600,000 refugees who have returned to Portugal from the former African territories comprise another potentially dangerous group. Portugal's failing economy has not been able to absorb the returnees and the unemployment rate has soared. Bitter toward the Marxist officers responsible for Portugal's precipitous withdrawal from its colonies and at being forced to exist on meager government handouts, the refugees have stirred up some unrest. They have not, however, become the serious pressure group many expected, largely because the returnees are considered outsiders in Portugal and most do not want to be identified with the group.

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7. The new president, former army chief of staff Eanes, is the man credited with putting down the leftist military rebellion last November and he has restored some degree of discipline to the highly politicized military. Under Eanes' supervision, many of the more radical soldiers have been purged and the three armed services as well as the internal security forces have been reorganized to mark their withdrawal from politics. The Security Police and the National Guard are once again acting as the principal internal security force, after yielding that role to regular army units led by Otelo de Carvalho at the height of the political struggle. The security forces had little trouble maintaining order during the legislative and presidential election campaigns this year, and a better disciplined army is prepared to back them up if necessary to quell disturbances.

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